

Volume: 1
Number: 2
Page: 226 - 233

Article History:

Received: 2022-10-14
Revised: 2022-11-13
Accepted: 2022-11-28

THE EFFECT OF PROFITABILITY, CAPITAL INTENSITY, DEBT TO ASSET RATIO ON TAX AVOIDANCE IN PROPERTY COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2018-2020 PERIOD

Gabriela GAGOLA¹, Herman KARAMOY², Rudy PUSUNG³

^{1,2,3}Faculty Economics and Business, Sam Ratulangi University, Manado, Sulawesi Utara, Indonesia

Corresponding author: Gabriela Gagola

E-mail: gagolagabriela@gmail.com

Abstract:

Tax is the primary indicator in the APBN because of the large percentage of tax revenue for maximum development in Indonesia. Taxes are obligations and expenses that reduce the company's net profit, this is contrary to the objectives of the entity. In 2020 the Director General of Taxes said that the implementation of tax avoidance resulted in losses to the state of up to 68.7 trillion per year. Therefore, many companies carry out tax avoidance measures. Many factors can influence the occurrence of tax avoidance, including profitability, capital intensity, and debt to asset ratio. This study aims to determine the effect of profitability, capital intensity, and debt to asset ratio on tax avoidance in property companies on the Indonesia Stock Exchange (IDX) for the 2018-2020 period. This study uses secondary data taken from the official website of the Indonesia Stock Exchange. The sample in this study used nonprobability sampling, a purposive sampling technique, so a sample of 17 companies was obtained with a total of 51 data. The analytical method used in this research is the multiple linear regression analysis methods. The results showed that profitability did not affect tax avoidance, the capital intensity had no effect on tax avoidance and debt to asset ratio had a significant positive effect on tax avoidance.

Keywords: Effect, Tax Avoidance, Profitability, Capital Intensity, Debt to Asset Ratio

Cite this as GAGOLA, G.V.S.¹, KARAMOY, H²., PUSUNG, R³. (2022). "The Effect Of Profitability, Capital Intensity, and Debt to Asset Ratio On Tax Avoidance In Property Companies Listed On The Indonesia Stock Exchange For The 2018-2020 Period." *Journal of Governance, Taxation and Auditing*, 1 (2), 226 - 233.



INTRODUCTION

The Indonesian government stipulates that taxes are the most significant revenue for development in a country. This is because taxes are the contribution of society to the state and for the greatest prosperity of the people. In order to realize this, the government makes regulations regarding taxes that taxpayers must pay. However, of course, this regulation hopes there will be a maximum in the revenue the state receives.

In 2020 the Director General of Taxes said that there was implementation of tax avoidance which resulted in losses to the state of up to 68.7 trillion per year. Losses are crucial because they will impact the performance of a country that relies on taxes as one of its most significant revenues. This is contrary to the government's goal of maximizing tax revenue. Taxes are obligations and expenses that reduce a company's net profit. Company profits or profits are reduced due to this tax burden, so many corporate taxpayers carry out tax planning to generate significant profits but not with a tax burden.

Companies can carry out tax planning with tax avoidance measures. Tax avoidance is a legal taxpayer action by utilizing gray areas in tax regulations to reduce the company's tax burden. This action is considered to benefit taxpayers, so many companies practice tax avoidance. In this study there are several factors that can influence the occurrence of tax avoidance in a company, namely Profitability, Capital Intensity, and Debt to Assets Ratio.

Tax Avoidance is a way for taxpayers to avoid paying large amounts of tax but in a legal way, which is regulated by the relevant tax laws. It is calculated that it can be profitable for an entity, therefore many companies use the permitted tax exemption and reduction facilities or tax deferrals whose rules are not stated in the tax regulations. In this study there are several factors that can influence the occurrence of tax avoidance in a company, namely Profitability, Capital Intensity, and Debt to Assets Ratio.

Profitability is a company's ability to generate profits which can be measured using the Return On Assets Ratio (ROA). This ratio can be measured by comparing net income to the company's total assets. Capital Intensity describes how much of the company's wealth is invested in the form of fixed assets. The greater the value of the company's investment in fixed assets, the greater the company will bear the depreciation expense. Finally, debt to Assets Ratio shows how much the company's assets are financed by debt or how much the company's debt affects asset management. This ratio emphasizes the importance of debt financing by showing the percentage of company assets that are supported by debt.

Many of tax avoidance actions are carried out by corporate taxpayers, one of which is from the property sector. The state feels the impact of tax avoidance, namely by reducing state revenue from taxes. According to the 2021 State Budget Report (APBN), tax revenue from the property and real estate sector fell to 33.02% and this data shows that the position of tax revenue for this sector is the second lowest after the mining sector. Based on this background, further research will be carried out to see how significant the opportunities for companies in the property sector are to take tax avoidance with the research title "The Influence of Profitability, Capital Intensity, and Debt to Assets Ratio to Tax Avoidance in Property Companies on the Indonesia Stock Exchange Period 2018-2020".

METHODS

Types of Research. This type of research is a quantitative research using an associative approach. An associative approach is used to determine the relationship between two or more variables in seeking roles, influences, and causal relationships, that is between the variables of profitability, capital intensity, and debt to asset ratio to the dependent variable, namely tax avoidance.

Population and Sample. The population in this study are property companies listed on the Indonesia Stock Exchange (IDX) in the 2018-2020 period with a total population is 80 companies. The sample in this research is a company whose characteristics have been determined through the purposive sampling method and the sample results are 17 companies.

Sampling Method. The research samples were taken using purposive sampling techniques. This technique is used with the aim of obtaining samples according to the criteria determined by the researcher. The characteristics that the researcher determined were as follows:

1. Property companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 period
2. Property companies that issue audited financial statements for the 2018-2020 period
3. Companies that do not suffer losses during the period 2018-2020

Table 1 shows the characteristics of a sample.

Table 1. Table of Sampling Criteria

No	Remarks	Total
1.	Property companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period	80
2.	Property companies that did not issue complete annual reports for the 2018-2020 period	(35)
3.	Property companies that experienced losses in the 2018-2020 period	(28)
Total data		17
		17 x 3 years
		51 data

Source: Processed data, 2022

Operational Definition of Variable. The independent variables in this study are profitability, capital intensity, and debt to asset ratio while the dependent variable is tax avoidance. In measuring tax avoidance can use effective tax rates. ETR, namely payment of the total tax burden divided by pre-tax income with the formula:

$$ETR = \frac{\text{Tax Expense}}{\text{Earnings Before Tax (EBT)}}$$

Source: Agoestina Mappadang, et al, 2018

In measuring the first independent variable, namely profitability, one of them can be measured by return on assets. ROA, namely the level of profitability associated with the use of company assets with the formula:

$$ROA = \frac{\text{Earnings after tax (EAT)}}{\text{Total asset}}$$

Source: Hery, 2019

Capital intensity can be measured using the capital intensity ratio in the second independent variable. CIR is the ratio that measures how much the company's funding activities are in the form of fixed assets and inventory with the formula:

$$CAP = \frac{\text{Total net fixed asset}}{\text{total asset}}$$

Source: Ahmad Rifai dan Suci Atiningsih, 2019

The third independent variable, debt to asset ratio, can be measured by the formula DAR. The Debt to Assets Ratio (DAR) measures how much a company's assets are financed by debt or how much a company's debt affects assets with the formula:

$$DAR = \frac{\text{Total Debt}}{\text{Total asset}}$$

Source: Kasmir, 2017

Types, Sources, and Data Collection Methods. The type of data used in this research is quantitative data. The data source is secondary data where the data source does not provide it directly to the data collector. The data collection method uses the Indonesia Stock Exchange (IDX) website www.idx.co.id and conducts further library research by collecting data which is evaluated by the sampling.

RESULT AND DISCUSSION

Descriptive Statistical Test. This test can provide an overview or description of a data by looking at each variable's mean, minimum, maximum, and standard deviation . Table 2 shows the result of data processing for descriptive statistical tests.

Table 2. Descriptive Statistical Test

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	51	.0037	.1997	.054896	.0452750
Capital Intensity	51	.0015	.6500	.085541	.1400421
Debt to Asset Ratio	51	.0415	.7889	.400686	.2094967
Tax Avoidance	51	.0005	1.1484	.117241	.1975412

Source: SPSS, 2022

The descriptive statistical data processing results for the dependent and independent variables show the amount of (N) 51 data. For the minimum of each variable sequentially is profitability with a minimum of 0.0037; Capital Intensity with a minimum of 0.0015; Debt to Asset Ratio with a minimum of 0.0415, and Tax Avoidance with a minimum of 0.0005. For the maximum of each variable sequentially is profitability with a maximum of 0.1997; Capital Intensity with a maximum of 0.6500; Debt to Asset Ratio with a maximum of 0.7889; and Tax Avoidance with a maximum of 1.1484. Each variable's mean sequentially is profitability with a mean of 0.054896; Capital Intensity with a mean of 0.085541; Debt to Asset Ratio with a mean of 0.400686; and Tax Avoidance with a mean of 0.117241. The standard deviation or measure of the spread of data for each variable sequentially is profitability with a standard deviation of 0.0452750; Capital Intensity with a standard deviation of 0.1400421; Debt to Asset Ratio with a standard deviation of 0.2094967; and Tax Avoidance with a standard deviation of 0.1975412.

Classic assumption test. The autocorrelation test was carried out using the Durbin Watson two step method. Table 3 shows that the Durbin Watson (dw) is 1.888 with the conclusion that there is no positive autocorrelation for the value of $du < dw < 4-du$ ($1.6769 < 1.888 < 2.3231$). These results show that the regression model passes the autocorrelation test.

Table 3. Autocorrelation test: Durbin Watson two step method Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.468 ^a	.219	.168	1.56487	1.888

a. Predictors: (Constant), X3, X2, X1

b. Dependent Variabel: Y

Source: SPSS, 2022

The normality test was carried out using the One-sample Kolmogorov-Smirnov. Table 4 shows that the Asymp. Sig. (2-tailed) is 0.200, which means that the value is > 0.05 . Based on that, it can be concluded that there is no normality problem or the residual values are normally distributed.

Tabel 4. Normality test: One-sample Kolmogorov-Smirnov
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		50
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.51621385
Most Extreme Differences	Absolute	.092
	Positive	.035
	Negatif	-.092
Test Statistik		.092
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Heteroscedasticity test was carried out using the Glejser method. In table 5 it can be seen the sig. > 0.05 for each independent variable means that the data does not have heteroscedasticity problems.

Table 5. Heteroscedasticity Test: Glejser

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
Model		B	Std. Error			
1	(Constant)	.701	.436		1.609	.114
	X1	-.099	.157	-.103	-.628	.533
	X2	-.100	.123	-.121	-.813	.420
	X3	-.257	.265	-.159	-.967	.338

a. Dependent Variabel: Abs_Res

The multicollinearity test was processed and presented in table 6 It can be seen from the table values of the variance inflation factor for all independent variables are < 10 and the tolerance value is > 0.1 . This value means that in this test there is no correlation between the independent variables or there is no indication of multicollinearity.

Table 6. Multicollinearity
Coefficients

		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
Model		B	Std. Error					
1	(Constant)	-2.345	.713		-3.288	.002		
	X1	-.335	.257	-.193	-1.302	.199	.774	1.293

X2	-.345	.202	-.229	-1.709	.094	.943	1.061
X3	1.006	.434	.344	2.318	.025	.773	1.294

a. Dependent Variabel: Y

Hypothesis Test. The first test is a multiple linear regression test. In table 7 it can be seen in the column Unstandardized Coefficients B to determine the regression equation below:

$$Y = -2,345 - 0,335X_1 - 0,345X_2 + 1,006X_3 + E$$

The constant value that can be seen is -2.345, this value has a negative influence (opposite direction). When the independent variables in this case X1, X2 and X3 are equal to 0 (zero), then the fixed value or tax avoidance value is -2.345 and it is assumed that other variables are considered constant. The Unstandardized Coefficients Beta X1 value is -0.335, this value has a negative effect (opposite direction). When this profitability variable increases by 1 unit, it means that the value of tax avoidance will decrease by 0.335 and it is assumed that other variables are considered constant. The Unstandardized Coefficients Beta X2 value is -0.345, this value has a negative (opposite) effect. When the capital intensity variable increases by 1 unit, it means that the tax avoidance value will decrease by 0.345 and it is assumed that the other variables are considered constant. The Unstandardized Coefficients Beta X3 value is 1.006, this value has a positive (unidirectional) effect. When the DAR variable increases by 1 unit as well as tax avoidance it will increase by 1.006 assuming that other variables are considered constant. In table 6 it can also be seen the results for the partial test T. For variable X1 the value of the coefficient sig. $0.199 > 0.05$ and $t_{\text{count}} < t_{\text{table}}$ ($-1.302 < 2.01174$), it can be concluded that H01 is accepted and Ha1 is rejected. The result means that the profitability variable has no effect on tax avoidance. For variable X2 the value of the coefficient sig. $0.094 > 0.05$ and $t_{\text{count}} < t_{\text{table}}$ ($-1.709 < 2.01174$), it can be concluded that H02 is accepted and Ha2 is rejected. This result means that the capital intensity variable has no effect on tax avoidance. For variable X3 the coefficient value is sig. $0.025 < 0.05$ and $t_{\text{count}} > t_{\text{table}}$ ($2.318 > 2.01174$), it can be concluded that H03 is rejected and Ha3 is accepted. From this result it means that the variable debt to asset ratio affects tax avoidance.

**Table 7. Hypothesis Test Results
Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.345	.713		-3.288	.002
	X1	-.335	.257	-.193	-1.302	.199
	X2	-.345	.202	-.229	-1.709	.094
	X3	1.006	.434	.344	2.318	.025

a. Dependent Variabel: Y

Effect of profitability on tax avoidance. Based on the results, the value of the profitability coefficient has a negative value or is in the opposite direction to tax avoidance. When profitability rises it will be inversely proportional to tax avoidance which will decrease, and also according to the results of partial testing shows that hypothesis one (H1) is rejected. Based on the theory of profitability can describe the high profit of the enterprise closely related to the use of assets. The

increase in the company's profit does not affect the management (agent) of carrying out tax avoidance measures since the company can generate targeted profit in a certain period with the magnitude of the total assets present in the company. This result is relatable to research by Indah Alfajr Astari M (2021) with the results of research that ROA does not affect tax avoidance carried out on a sample of property companies listed on the IDX.

Effect of capital intensity on tax avoidance. According to the results, the value of the capital intensity coefficient has a negative value or is in the opposite direction to tax avoidance where when the capital intensity rises it will be inversely proportional to the dependent variable (tax avoidance) that will fall, according to the partial test results showing that hypothesis two (H2) is rejected. Based on the theory of capital intensity can describe the level of efficiency of the company in the use of assets. The company does not avoid taxes by utilizing depreciation expenses on company assets that can be categorized as deductible expenses, but the company's funding decisions on fixed assets for the continuity of the company's operations. When the company's operations are running well and efficiently, using assets can bring positive results to the company. These results are in line with research by Ledyak Akmal Syaflet Bandaro and Stefanus Ariyanto (2020), which concluded that the capital intensity variable does not affect tax avoidance as measured by the effective tax rate (ETR).

Effect of debt to asset ratio on tax avoidance. It can be seen from the value of the debt to asset ratio coefficient has a positive value or in the same direction as tax avoidance where when the debt to asset ratio increases, tax avoidance as a dependent variable will also increase, according to the results of partial testing which shows that hypothesis three (H3) is accepted. Based on the theory of debt to asset ratio, shows how much the company's assets are financed by debt. When DAR is high, it means that the company's assets are financed by large debts and result in depreciation expenses that can be categorized as deductible expenses. This is then used by the company's management (agent) to reduce its tax burden. These results align with Indah Alfajr Astari M (2021) research and are also supported because the study used a sample of property companies listed on the IDX.

CONCLUSION

There is no significant effect between profitability and tax avoidance. The company's high profit does not affect the management (agent) to avoid taxes, because the company prioritizes the profits generated through the management of company assets. There is no significant effect between Capital Intensity and tax avoidance. Funding on fixed assets does not affect management (agent) to avoid taxes, because this funding decision is to optimize the company's operations. However, there is an influence between the debt to asset ratio on tax avoidance. Company assets financed by debt can be utilized by management (agents) to carry out tax avoidance by reducing the tax burden through interest expenses which are included in the deductible expense.

REFERENCES

- Agoes dan Estralia. 2017. Akuntansi Perpajakan. Edisi 3 Jakarta. Salemba Empat.
- Anggraeni, T., & Oktaviani, R.M. 2021. *Dampak Thin Capitalization, Profitabilitas, Dan Ukuran Perusahaan Terhadap Tindakan Penghindaran Pajak*. Jurnal Akuntansi Pajak, 21 (2), 2021, 390-397. Semarang.
- Anwar Pohan, Chairil. 2018. Pajak Internasional. Jakarta. Gramedia.

- Astari, I.A., 2021. Analisis Faktor-Faktor yang Mempengaruhi Penghindaran Pajak Pada Perusahaan Properti yang Terdaftar di Bursa Efek Indonesia. Universitas Muhammadiyah Sumatera Utara. Medan.
- Chairil, Pohan. 2017. Manajemen Perpajakan: Strategi Perencanaan Pajak dan Bisnis. Jakarta : Mitra Wacana Media.
- Hery. 2018. *Analisis Laporan Keuangan, Integrated and Comprehensive Edition*. Grasindo. Jakarta.
- Kasmir. 2017. *Analisis Laporan Keuangan Edisi 10*. PT Raja Grafindo Persada. Jakarta.
- Mardiasmo. 2018. *Perpajakan*. Penerbit ANDI. Yogyakarta.
- Mardiasmo. 2019. *Perpajakan Edisi 2019*. Penerbit ANDI. Yogyakarta.
- Supriyono, R. A. (2018). *Akuntansi Keprilakuan*. Gajah Mada University Press.
- Undang-Undang Nomor 28 Tahun 2007.